



Fact Sheet

U.S. Department of Agriculture
Foreign Agricultural Service
February 2000

Permanent Normal Trade Relations with China **What's at Stake for Arkansas?**

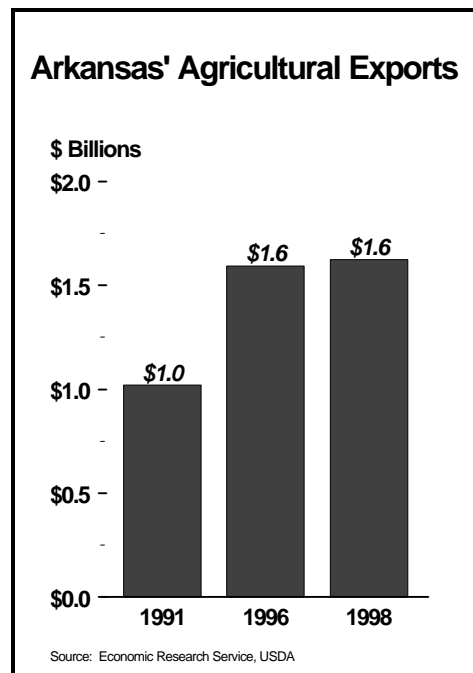
Arkansas is an important producer of agricultural, solid wood, and aquaculture products and a major agricultural exporter. In 1998, the state's cash farm receipts totaled \$5.4 billion, and wood product shipments were \$2.5 billion in 1996. State aquaculturalists earned \$86 million from catfish in 1998. As for exports, Arkansas ranked ninth among all 50 states, with the value of agricultural products leaving the state estimated at \$1.6 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Trade Benefits

The following key products are important to Arkansas, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

Rice—As the nation's top rice grower, Arkansas' rice exports worldwide were estimated at \$493 million in 1998. China is the world's largest and one of the lowest cost rice producers. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process thereby opening up opportunities for U.S. exporters. China's commitment to end export subsidies will reduce its price competitiveness in other Asian markets, such as Japan and Korea. With respect to its own market, China committed to a nominal 1-percent tariff on all rice imported within a tariff-rate quota (TRQ). The TRQ on rice will be initially set at 2.66 million metric tons and grow to 5.32 million metric tons by 2004. Half the TRQ will be for short- and medium-grain rice, with the share for private traders set at 50 percent, and half the TRQ will be for long-grain rice, with the share for private traders set at 10 percent. In 1998, China imported around 250,000 metric tons of rice from all countries.

Poultry Meat—Arkansas is a large poultry-producing state, with poultry and product exports worldwide estimated at \$374 million in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.



- # **Soybeans and Products**—As one of the top 10 soybean-growing states, Arkansas' soybean and product exports worldwide were estimated at \$368 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- # **Cotton**--Arkansas is the nation's fifth largest cotton producer. Its cotton exports worldwide were estimated at \$229 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.